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Fuel Stop Automation: Now Jobbers Are Selling It
Why Farm Distributors Are Squeezed So Tightly
Most Jobbers Still Handle TBA, New Study Shows

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- *Why Ron Inman Is Liquidating*

JOBBER BANKRUPTCIES

- *Unprecedented Toll Begins to Rise*
- *How to Forecast and Fend Off Failure*

NATIONAL PETROLEUM NEWS

AUGUST 1982 VOL. 74 NO. 8

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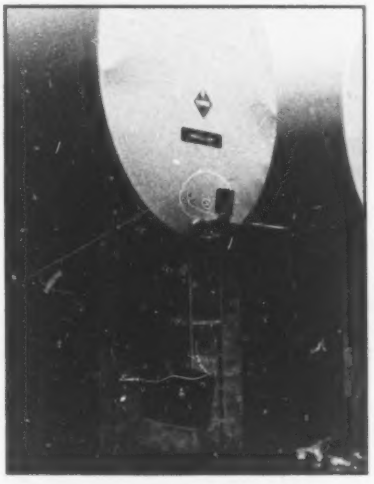
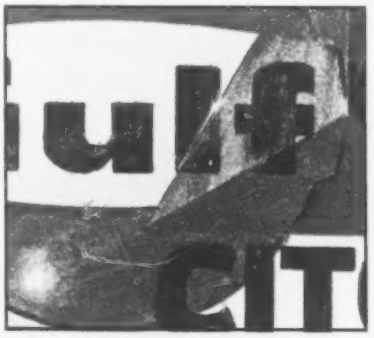
In an industry unaccustomed to such collapses, more and more oil jobbers are being swept up in the general bankruptcy epidemic. One marketer, Ron Inman, explains his move to liquidate in the face of imminent bankruptcy. A legal expert offers tips on how to read the signals of pending failure. Page 36.

Cover photo by Thomas Olson.



In the current upheaval, no one is squeezed so tightly as the oil marketer down on the farm. Stubborn rural economics are causing smaller, weaker jobberships, and their farm customers alike, to topple like a house of cards. Page 41.



The Cities Service takeover adds true heft to the refining and marketing arm of Gulf Oil. Efficiencies will have to be worked out, which could mean cutbacks and cutoffs to downstream marketers. Page 25.

• TRENDS

Equipment Distributors See Selectively Healthy Market

Even though some gasoline marketers are hanging on by their fingernails and others are experiencing some sleepless nights, it would appear that not everything in many markets is all that bad or worrisome.

One area that seems to be on the optimistic side is equipment distribution.

The authority for this is Howard Upton, executive vice president of Petroleum Equipment Institute (PEI), who reported in his membership newsletter in early summer that an informal poll indicated "business is not bad and looking better."

Most of the distributors he and an associate talked with during the spring months "appear generally optimistic about prospects for thier companies through 1982." Upton said about 100 different distributors were involved in the various conversations. He commented:

"Some of those confided only that their business was 'flat.' Far more typical were comments like these: 'We're holding our own . . . Our business is surprisingly good . . . We are being asked to quote on a lot of new installations.' "

Thus it would appear that reconstruction and expansion are still proceeding out there despite the gloom of statistics, which foresees further market retrenchment and continued decline in the service station population.

Where's the business coming from, Upton asked.

"Sales are somewhat uneven, from product line to product line, and from territory to territory," he said. "Tank vehicle sales remain soft. On the other hand, the market for canopies, lights and automated distributing systems appears to be good and gaining momentum.

"Distributors tell us they are selling automated systems to municipalities, fleet operators, school boards and similar organizations. Some distributors have even told us that automotive lift sales are beginning to pick up—that car dealers are starting to purchase lifts again."

The observation on automated equipment emphasizes anew the way the marketplace is moving to compensate for declining volumes while meeting customer demand for speedier service and convenience.

Upton also noted that there has been a re-emergence of major oil company buying in the equipment market. "In some far northern states," he said, "major oil companies are no longer a factor in the retail equipment market at all. They have sold off all, or most, of their retail properties. In the more populous areas on both coasts, however, major oil companies have re-emerged as principal purchasers of service station equipment. Some are engaged in rehab programs; others are building, or planning, new retail facilities. A number of distributors, who had given up calling on major oil companies in their areas, are re-establishing contact with them."

* * * * *

Is diesel fuel generating new headaches?

Another point the PEI executive brought up in a recent letter involves the accidental misfueling of diesel-powered passenger cars with gasoline. The prevalence of such fuel mixing isn't documented but there are potential and significant problems in combining the two. Gasoline and diesel engines have different compression and sparking ratios and a little gasoline in the diesel tank, or vice-versa, can bring on a lot of pings and pangs.

As suggested in Upton's newsletter, the growing popularity of diesel-engine vehicles may make it desirable for the oil and auto industries to compose a uniform dispensing standard which insures motorists cannot misfuel.

"Nozzle spout dimensions prevent leaded gasoline from being accidently dispensed into cars designed to operate on unleaded. However, there is no similar restriction to prevent accidental insertion of a gasoline nozzle, leaded or unleaded, into the fillpipe of a diesel vehicle.

"The problem has been studied by an [American Petroleum Institute] Engineering Committee task force and has been studied by various automotive industry committees. There are no simple solutions which will guarantee that misfueling will not occur. . . .

"The principal preventive measure is to provide that diesel fuel will be dispensed only from stand-alone pumps and not from two-product dispensers. Some oil companies have adopted policies which provide that diesel may be dispensed from the same island as gasoline, but only from single dispensers or dual one-product dispensers."

It was noted that some oil marketers also are using nozzle guards which have "diesel only" deep-stamped in the plastic. It's a problem that will have to be watched—lest a whole new set of regulations be visited on the industry in the form of special fillpipe, nozzle or dispenser-placement requirements that could become exceedingly expensive.

—J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (¢ per gal.)

MAY	Gasoline (All types)	Leaded Regular	Unleaded Regular	Leaded Premium
U.S. City Avg.	$1.224	$1.166	$1.237	$1.379
Regions:				
Northeast	1.233	1.165	1.227	NA
North Central	1.225	1.185	1.244	1.342
South	1.193	1.132	1.207	NA
West	1.271	1.192	1.287	1.392

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	6/25/82	6/26/81
Gasoline (total)	219,106	249,349
Gasoline (unleaded*)	87,418	94,632
Kerosine **	45,845	50,414
Distillates	124,053	176,400
Residual	57,397	77,341

**Included in gasoline total.*
***Includes jet fuel.*
Source: American Petroleum Institute.

Sloppy Markets and Prices Limit C-Store Growth in '81

For the second consecutive year, convenience stores sold more than $8-billion worth of gasoline in 1981. But the going obviously was just as tough for them as it was for their counterparts in conventional retailing.

The 13th annual survey by *Convenience Store News* shows that the 1981 sales total of $8.3-billion was $200-million higher than the 1980 peak of $8.1-billion. Percentage-wise, this was an increase of only 5% compared with 1980's 55.8% growth and 1979's gargantuan leap of 92.6%. In 1977, the increase was a more modest 35%.

By contrast, the oil industry moved about $137-billion worth of gasoline in 1981. Thus, the C-store's role was about 6.7% of the national total.

The C-store business as a whole recorded total sales of $24.4-billion in 1981, an all-time high, according to the publication. But the crunch in gasoline prices had a sobering effect on what might otherwise have been a very impressive return, figures implied.

"The slowdown in the industry's growth rate in 1981 is largely attributable to sharp decreases in gasoline prices," said the publication. "Where C-store operators sold $8.1-billion of gasoline in 1980, this important category only increased to $8.3-billion in 1981, a minuscule 2.5% boost. Since gasoline is sold by 45.8% of all convenience stores and accounts for one-third of total industry sales, its lackluster performance has a significant impact on the entire industry."

The survey shows that despite rising costs and record interest rates, more convenience stores were opened than closed in 1981. At year's end, the C-store population stood at 37,400 units, up 2.3% from the 36,576 in business on Dec. 31, 1980.

C-store customer count continued to rise in 1981, with a weekly average of 5,503 in 1981 versus 5,390 in 1980. The jump in customer count was softened somewhat by the addition of 824 new units during the year.

The survey also indicates that the average customer bought more in 1981 than in prior years.

Convenience store gross margins during 1981 averaged 29.8% for all categories excluding gasoline, down slightly from 1980's 30%. Total industry gross profit dollars, excluding gasoline, were approximately $4.9-billion.

The average C-store earned $130,134 in gross profit dollars last year, excluding gasoline. Including gasoline, the convenience store industry collected total gross profit dollars of $5.5-billion in 1981, compared with $5.0-billion the previous year. NEW

C-Store Gasoline Sales: Still Rising But Much More Slowly

	1981	1980	1979	1978	1977
Total Industry Sales Including Gasoline ($ billions)	$ 24.4	$ 22.7	$ 17.2	$ 13.0	$ 10.5
Total Industry Sales Excluding Gasoline ($ billions)	$ 16.1	$ 14.6	$ 12.0	$ 10.3	$ 8.5
Total Industry Sales Gasoline Only ($ billions)	$ 8.3	$ 8.1	$ 5.2	$ 2.7	$ 2.0
Average Annual Sales Per Store Including Gasoline ($000)	$652.4	$627.7	$480.0	$383.3	$321.3
Average Annual Sales Per Store Excluding Gasoline ($000)	$430.5	$403.7	$336.5	$304.9	$262.9
Average Annual Sales Per Store Gasoline Only ($000)	$221.9	$224.0	$144.4	$ 78.4	$ 58.4
Total Number of Stores	37,400	36,576	35,750	33,904	32,200

Source: Convenience Store News, 1982 Industry Report.

NACS Report Shows C-Store Gallonage Up, Average Margins Down

National Assn. of Convenience Stores, in a preliminary report on its 1981 industry research findings, says gasoline margins continued to erode in the C-store business last year.

The report indicates that the average margin dipped from 7.6¢ in 1980 to 5.9¢ in 1981. The peak year was 7.9¢ in 1980.

At that, however, the 1981 and 1980 margins are well above the averages of 1977 and 1978 which were 4.2¢ and 4.9¢ gal., respectively.

Fuel pumped by the average C-store rose from 36,000 gal. a month in 1980 to 36,500 gal. a month in 1981, an increase of 1.4%, the association says, adding rather dourly:

"After a string of years in which the industry consistently put together annual gains of 20% in gasoline sales, gallons sold have remained virtually flat for the past three years and are likely to remain so in the future."

The annual report also stated that "convenience stores are proving to be an attractive channel for the aggressive marketing of gasoline and oil products and we continue to see a trend toward gasoline operators moving into the sale of convenience store products rather than the other way around."

Two-thirds of all C-stores handling gasoline buy their supplies from oil jobbers, the report notes.

NOJC Still Pushing For Stand-By Oil Allocation Rules

The National Oil Jobbers Council and a few state jobber groups apparently haven't given up on the idea of stand-by allocation rules. NOJC senior vice president Robert Thornhill and other officials told House lawmakers in June that refiners already have put independent marketers in a "competitive Siberia" and warned the situation will get worse if supplies tighten.

Before the House Subcommittee on Fossil and Synthetic Fuels, headed by Rep. Phil Sharp (D-Ind.), Thornhill said refiners have weakened jobber functional discounts, restricted jobber access to product and have begun pricing policies that favor refiner-owned stations over independents.

In calling for the stand-by allocation program, which Rep. Sharp championed in the House earlier this year, Thornhill said: "We are extremely concerned that [the Reagan administration] is placing 'blind faith' in the private sector's ability to maintain sufficient inventory to see this country through a shortage."

Most Jobbers Still Handle TBA Lines

Six out of 10 gasoline jobbers handle one or more TBA lines in their routine operations, according to an *NPN*-Hunter Publishing Co. profile compiled earlier this year.

But these sales vary regionally, the profile shows.

For example, only 37.8% of the surveyed jobbers in the Northeast handle TBA lines while well over half of all jobbers in every other region handle TBA. The numbers are 69.7% in the West, 64.6% in the North Central region and 59.9% in the South.

Somewhat surprisingly, according to the *NPN* study, the size of the jobbership (in terms of sales volume) has little influence on its likelihood of handling TBA items.

Of those who reported total sales under $3-million a year, 62.3% handle TBA lines. The percentage shows little change for those in the $3-million to $10-million category (63.3%), or in the $10-million and over a year group (64.9%).

Within the universe of jobbers who distribute TBA, there are approximately equal numbers of jobbers who report minimal involvement and those who report large TBA dollar volumes.

Some 32% report annual TBA sales of under $20,000 while 32.2% report sales of $100,000 a year and more. Another 6.5% said they have TBA sales in excess of $500,000 a year.

TBA 8.5% of Sales

The *NPN*-Hunter profile shows that of the TBA-handling oil jobbers, TBA sales represent 8.5% of their dollar volume. There is little geographic variation in this figure, ranging regionally from 7.2% in the South to 10.1% in the North Central area.

There does, however, appear to be a correlation between the size of the jobber and the relative importance of his TBA sales to his "bottom line."

Those distributing TBA and who report annual sales of $3-million or less said their TBA lines represent 12% of total sales; the figure is 6% for TBA-handling jobbers with total sales in excess of $10-million.

Oil jobbers in the TBA business generally are optimistic about the future sales prospects.

Of the total, 8.1% predict considerable growth in their TBA sales over the next two years, while 32.3% of the responding jobbers anticipate "moderate" growth. Another 46.9% project sales will remain about the same and only 12.7%—about one in every 10—believe TBA sales will decline.

The *NPN*-Hunter profile also took a look at some of the items the TBA-handling jobbers carried, asking them for reports on 18 specific product lines.

Antifreeze the Big Item

The most widely handled TBA product is antifreeze, which 56.2% of the jobbers said they handle as a routine.

In all, 11 of the 18 studied product lines are handled by at least 20% of all gasoline jobbers.

In descending order, these include: antifreeze, 56.2%; oil/air/fuel filters, 46%; batteries, 37.5%; sealed beam headlights, 27.2%; windshield wiper refills, 26.9%; additives, 26.8%; automotive lamps, 26.6%; belts, 26%; spark plugs, 24%; radiator hose, 22.5%; and thermostats, 20.6%.

NPN-Hunter used a special sampling list to reflect the industry as a whole, then used cash incentives and phone calls to achieve a 57.7% response level for questionnaires mailed earlier this year.

Compilation and interpretation of the data were handled by Great Lakes Marketing, Inc., an independent research organization. *NPN*-Hunter claims that "all information in this report is accurate within 3% to 5%, at a 95% level of confidence."

NPN

Jobbers Handling Minimum One TBA Line

Total Response		Northeast		North Central		South		West	
No.	%	No.	%	No.	%	No.	%	No.	%
720	60.6	48	37.8	268	64.6	254	59.9	131	69.7

Annual TBA Sales Volume

(TBA Handling Jobbers)

Annual TBA Sales Volume	Number of Respondents	% of Respondents
$ 1,000-19,999	164	33.2%
20,000-29,999	42	8.5
30,000-39,999	28	5.7
40,000-49,999	16	3.2
50,000-99,999	85	17.2
100,000-199,999	73	14.7
200,000-499,999	54	10.9
500,000 and Over	32	6.5
Mean Average		**$258,349**

TBA Percentage of Total Sales

TBA % of Total Jobber Sales	Number of Respondents	% of Respondents
1%	174	36.3%
2	49	10.2
3	23	4.8
4	15	3.1
5	61	12.7
6	5	1.0
7	7	1.5
8	11	2.3
9	4	.8
10	51	10.6
Over 10	79	16.3
Mean Average		**8.5%**

Jobber TBA Customer Types

Customer Type	Number of Respondents	% of Respondents (a)	% of TBA Sales Volume (b)
Service Stations Your Firm Owns & Operates	318	61.0%	34.1%
Service Stations Your Firm Owns & Leases	226	43.4	17.4
Other Service Stations	240	46.1	17.2
Repair Garages	119	22.8	3.4
Auto Parts Jobbers	47	9.0	1.7
Car/Truck Dealers	61	11.7	1.2
Retail Auto Parts Stores	47	9.0	1.5
Fleets	109	20.9	4.2
Farms	162	31.1	9.5
Marines	17	3.3	.2
Other	53	10.1	9.5

(a) Column three refers to the numbers cited in column two.
(b) Column 4 refers exclusively to those who sell to the given customer type.
Source: NPN/Hunter Publishing Co., April, 1982.